TESTIMONY OF STEPHEN J. WRIGHT
ADMINISTRATOR AND CHIEF EXECUTIVE OFFICER
BONNEVILLE POWER ADMINISTRATION
UNITED STATES DEPARTMENT OF ENERGY

TESTIMONY ON
"ELECTRICITY COSTS AND SALMON: FINDING THE BALANCE"

BEFORE THE

COMMITTEE ON RESOURCES
SUBCOMMITTEE ON WATER AND POWER
UNITED STATES HOUSE OF REPRESENTATIVES

JULY 7, 2006

Good morning Congresswoman McMorris, Congressman Hastings. Thank you for the opportunity to testify today. My name is Steve Wright; I am the Administrator of the Bonneville Power Administration (BPA). I am pleased to be here today to discuss the impact of the Endangered Species Act (ESA) requirements on BPA costs and our efforts to ensure that we are achieving real biological results for endangered salmon and steelhead.

BPA is committed to our responsibilities to protect, mitigate and enhance fish and wildlife affected by the Federal Columbia River Power System (FCRPS), and to provide the citizens of the Northwest with an economical and reliable power supply. This includes a commitment to conservation of salmon, steelhead, and other listed fish under the ESA. We believe the citizens of this region want to protect and recover these fish, and we share that goal. We also believe that Northwest citizens understand the tremendous value of the lower-cost, clean hydropower that the Federal dams on the Columbia River and its tributaries provide to us. We continue to seek to achieve our twin goals of supporting a healthy Northwest economy and environment.

Today, I'd like to give you an update on the very ambitious set of actions the Federal action agencies are taking for listed fish. I'll also talk about the impact of fish costs on BPA's power rates. Finally, I will highlight for you the risks and opportunities that we see in the current direction of ongoing litigation, specifically the remand of the 2004 FCRPS Biological Opinion, now before the Ninth Circuit Court of Appeals. There are far-reaching implications for that litigation. Costs are uncertain, but they will be borne not only by BPA customers, but by a wide range of other businesses, government, and industry in the region.

This is why we are strongly supporting the collaborative process among Federal, State, and Tribal sovereigns established under the remand as a way to develop a solution to this problem. We believe that a regionally developed 10-year plan of priority actions by all entities and across all life stages for ESA fish would be the best outcome of the litigation and the best outcome for the region.

Recent Results

For over a decade, the Federal action agencies (BPA, the U.S. Army Corps of Engineers, and the Bureau of Reclamation) have been implementing an extensive program of hydro, habitat, and hatchery improvements for conservation of ESA listed fish. We have achieved notable successes and urge more attention on the efforts for recovery. The results of the last few years are very encouraging. The ultimate measure of progress, of course, is the number of adult wild and hatchery salmon and steelhead that return to spawn each year in the Columbia and Snake Rivers. These numbers, over the last four years, have shown the highest salmon returns for Chinook salmon in the Columbia River Basin since we began recordkeeping over 60 years ago. (See Graph 1.) Moreover, listed fish stocks in the Columbia Basin have witnessed increased returns in the last few years. (See Graph 2.) This shows that the fish can respond powerfully. It is also important to note that while overall salmon numbers may be improving, the situation for individual species may be less favorable. Because fish populations can vary widely from year to year, it is important that we sustain long-term perspective on recovery.

On average, in river survival of yearling chinook salmon is higher than ever measured. (See Graph 3.) Adult salmon and steelhead survival is estimated at about 98 percent or higher at each dam – equivalent to pre-dam survival.

The Federal action agencies recently issued their 2005 Progress Report, covering actions to protect and recover ESA-listed Columbia Basin salmon and steelhead (www.salmonrecovery.gov). The report described the substantial progress we made this past year with actions that achieved real biological results and improved conditions for the fish.

Salmon must be able to pass the dams if we are to succeed in recovering salmon. This is why over $1 billion of capital over a couple of decades has been invested in measures to improve salmon passage at Federal hydro facilities in the Columbia Basin resulting in substantial survival improvements. In 2005 juvenile survival rates were up for both Snake River and Upper Columbia River spring/summer chinook and steelhead, exceeding the average performance standard that NOAA Fisheries set for the action agencies in the 2004 FCRPS BiOp. (See Graph 4.) In 2004 the Federal action agencies committed to the deployment of a substantial investment in state-of-the-art juvenile fish passage systems at all eight Columbia/Snake River Federal mainstem dams. These systems are proving very effective. Removable spillway weirs, or "fish slides," at Lower Granite and Ice Harbor dams deliver an estimated 97-99 percent survival for young spring migrants, while spilling two to three times less water. Juvenile survival through the recently-completed Bonneville Dam corner collector is nearly 100 percent.

We have now picked the "low hanging fruit" for hydrosystem operations impacts and we are reaching a point of diminishing returns for additional hydrosystem operations and improvements. Future improvements can be found by refining well-known approaches. Spill, for example, may be adjusted to improve the "spread the risk" strategy by scheduling spills and barge transports for juvenile fish according to the times of year when each is most effective. The costs and benefits of targeting spill are very large and important. The additional spill ordered on June 10, 2005, by the District Court for the period June 20 to August 31, 2005, cost Pacific Northwest ratepayers $75 million. According to NOAA Fisheries, it is uncertain whether the operation was beneficial or detrimental to fall chinook, and most of the fish had passed the dams by late July.

To complement improved hydrosystem operations, the Federal action agencies also fund a wide range of other hydro, habitat, and hatchery actions that make a real difference for fish. The 2005 progress report documents substantial improvements including:

- Caspian tern predation on juvenile salmonids in the Columbia River estuary has been reduced from a range of 7 to 15 million in 1999 to about 3.6 million in 2005 by moving these birds downstream nearer the ocean where they feed less heavily on juvenile salmon and steelhead.

- Pikeminnow predation on juvenile salmonids has been reduced by approximately 25 percent since the program began in 1990, saving approximately 2 to 4 million juvenile salmon. Intensified effort since 2004 has yielded an increased pikeminnow catch of over 50 percent.

- With our partners, we completed 42 voluntary water transactions around the region, each addressing a significant opportunity to restore instream flows in Columbia Basin tributary streams and rivers. In the third full year of operation, the Columbia Basin Water Transactions Program delivered 530 cubic feet per second of water to Columbia Basin streams and improved flows on nearly 900 miles of streams.

- In 2005, we installed screens at 19 barriers to restore access to over 180 miles of stream for fish. Overall since 2000, fish passage improvement efforts in the tributaries have resulted in fish regaining access to over 1,280 miles of stream.

- In the lower Columbia River estuary, we have acquired over 660 acres of fish habitat since 2000. In 2005, over 300 acres were being actively restored.

- Safety-net hatcheries continue to reduce the extinction risk of Snake River sockeye, spring/summer Chinook, fall Chinook and steelhead, and mid- and lower Columbia steelhead populations. In one such program, 348 Snake River sockeye adults returned to Redfish Lake since 1999 – a 20-fold increase over the total of 16 wild fish that returned from 1990 to 1998.

We intend to build on this success. In 2004, the Corps, Reclamation and BPA committed to a 10-year plan of extensive actions to improve hydrosystem survival and improve habitat. We also forego some power generation in addition to salmon spills for other conservation reasons. We expect the total of these Federal agency commitments to exceed $6 billion over the next 10 years. Nevertheless, it is not how much money we spend that is the gauge of our success – it is the biological results we have to show for the money we have spent.

The Costs

Our success in improving conditions in freshwater and getting these fish through the hydrosystem comes with a large cost – we must ensure that it buys us the valuable success we seek. The ESA program for listed Columbia Basin steelhead and salmon is among the largest fish and wildlife restoration programs in the world. Just to illustrate how massive the recovery efforts are, if the water being spilled over dams to assist in fish passage was used instead to generate power, it would be enough to meet the City of Seattle's annual electric energy needs. And spill is just one of the many measures we are taking to assist salmon recovery. BPA ratepayers pay most of those costs through their power bills.

A report from the Northwest Power and Conservation Council (Council) concludes that over the last 20 years BPA ratepayers have experienced $7.8 billion worth of costs attributed to fish and wildlife mitigation activities. These costs were paid as a result of different laws including the Northwest Power Act and Endangered Species Act. In FY 2007, BPA projects almost $700 million for fish and wildlife costs.

These costs are reflected in our power rates as a cost of doing business. It is the second largest cost category in our FY 2007-09 power rates – second only to the combined debt service costs for BPA's one active nuclear plant, two retired nuclear plants, and the Federal investment in the

entire FCRPS. These costs represent more than 30 percent of the rate we charge our 130 public utility customers for Federal power. It makes sense to publish and monitor the size of a cost this large.

H. R. 4857, if enacted, would direct the Administrators of the Federal Power Marketing Administrations (PMA) to include on customers' monthly bills information about the costs the PMA are incurring to comply with ESA. We have looked at how we would implement this legislation were it enacted into law. We would recommend the approach of reporting our combined ESA-related and Northwest Power Act fish and wildlife mitigation costs assigned to power as a percentage of total power bills. While this would be an approximation of the actual amount of cost recovered from each individual customer, it would be more readily available and does not require a detailed calculation for each customer.

The Administration shares the interest in accountability that prompts this legislation. Power bills result from complicated calculations and the public debate about what affects power rates often strays from hard numbers. H.R. 4857 would take a step toward clarifying the matter. There are many ideas in the legislation that are feasible and many concepts that are in line with the overall Administration policy in terms of properly reflecting the costs of regulation to the ratepayers. The Administration has no position on the legislation at this time, but there are many concepts in the legislation which the Administration would not oppose. The Administration is still studying the legislation as a whole and looks forward to participating in the broader debate as it unfolds.

Where We Go From Here

Many human activities have contributed over many decades to the fish runs we have today. In order to be successful, we will need to work together to address all the human-caused factors that are leading to salmon declines – the so-called "four H's"of harvest, hatcheries and habitat as well as hydro.

In fact, the current rulings from the District Court on the FCRPS BiOp advise an "all H" approach. Due to the ruling on the 2004 FCRPS BiOP, we are now, more than ever, all in this together.

To simplify, the District Court advised that, to meet ESA's requirement, the FCRPS must take into account all mortality - not just the mortality caused by operation of the FCRPS. This ruling further suggests that, if a fish is not on the road to recovery, any proposed action funded, authorized, or carried out by the federal government – even though it may not appreciably reduce salmon survival or recovery – must along with all other activities put fish on the road to recovery. The District Court's ruling implies that, if it is sustained by the Ninth Circuit, it would apply to all proposed actions in the region and would be called upon to carry this burden including harvest and hatcheries operations, federal assistance to port operations, as well any other distantly-related action requiring Federal approval or funding or carried out by the Federal government.

The Administration believes this ruling goes too far. The Administration supports and has worked hard to develop a recovery plan for salmon. We believe, however, the ESA requirement

to avoid jeopardy is just what the regulations say it is - to analyze whether the incremental effects of a particular proposed action will appreciably reduce the likelihood of both the survival and recovery of the species - not whether a proposed action could potentially be halted because the effect of that action in combination with everything else that affects the species must be determined to create a path to recovery. We think the District Court's interpretation, if sustained, could have far-reaching ramifications.

While we have appealed this issue to the Ninth Circuit, we continue to put significant efforts and hopes into the collaborative process with States and Tribes to come up with a regional plan consistent with the District Court's ruling. We are encouraged thus far that there is substantial agreement among those participating in the collaborative process that we need to define our own destiny and develop a regional approach that addresses all the H's and their contribution to recovery.

Setting Priorities

As ESA costs and litigation pressures increase, it is critical that the region focus on the bottom line - results for the fish. This effort needs clear objectives and priorities for meeting the objectives. To accomplish this, we must - as a region - be clearer about our ESA objectives. How many fish do we need to be satisfied we are moving toward our goals for each of the fish that are listed under ESA? What is the mix of hatchery and natural spawning fish that is desirable in the interim and in the long term? Where are the priority habitat areas for restoration? What are our hydro survival performance measures?

Ultimately we are working to achieve a 10-year agreement among the States, Tribes and Federal agencies working on the FCRPS BiOp remand collaboration on priority actions in the Basin. The actions we agree on would be guided by our knowledge of which populations of fish need what types of help, and what's best for the fish.

As we work with the remand collaboration to develop a new FCRPS BiOp, we continue to emphasize using a biological yardstick for determining our success. We seek to have clearly defined objectives, or performance standards, in this new BiOp and actions that the best science shows will help to achieve them. The performance standards for juvenile survival through the hydrosystem provide a good example of establishing clear objectives.

In addition to performance standards, the region must agree on funding priorities. Prioritization will enable us to achieve our objectives at the least cost. It is not how much money we spend that is the gauge of our success – it is the biological results we have to show for the money we have spent. In the words of the Northwest Power Act [Section 4(h)(6)(C)] the Power Council's Fish and Wildlife Program seeks to "utilize, where equally effective alternative means of achieving the same sound biological objective exist, the alternative with the minimum economic cost . . .." Under this approach, we use a biological yardstick, and we also keep our eye on achieving our goals efficiently.

The implementation of the ESA needs to help set and enforce priorities. For example, recently we elected to postpone funding the Northeast Oregon Hatchery (NEOH) because we do not

currently have the means to document the contribution to recovery that we believe the hatchery will provide. Almost 20 years in the planning, the $16.4 million NEOH construction project was deferred last month until such time as a specific level of ESA-crediting for application to this hatchery can be resolved. We are committed to working this out with regional stakeholders through the remand collaboration, but we would be open to funding the project now with assurance that it will be acknowledged properly in the legal documents to follow.

This is disappointing for the Tribes, States and BPA after working for years on this project. We think NEOH is a good project, and we believe that the hatchery can help rebuild listed spring chinook stocks in the Grande Ronde subbasin. But frankly we do not believe we should spend $16.4 million when it is not clear whether the effects of the hatchery will be declared to gain or lose ground in our progress toward achieving ESA goals. BPA currently spends $60 million per year to fund operations and maintenance at 28 fish hatcheries operated by States, Tribes and the US Fish and Wildlife Service. Ultimately we must examine the benefits and risks to ESA listed fish from all of these fish hatcheries.

NEOH is one of many mitigation efforts that have evolved through the Council's Fish and Wildlife Program under the Northwest Power Act. The Council's Program guides BPA's funding decisions. We will soon be working with the Council to fund about $142 million of projects for the first year of the Council's FY 2007-09 Fish and Wildlife Program. We expect the remand process will influence our spending decisions in this program. We also expect to balance these decisions with efforts that continue to benefit non-listed species.

Conclusion

One of the largest regional fish and wildlife restoration efforts in the world is taking place in the Pacific Northwest. The evidence to date is that substantial progress is being made albeit at a substantial cost. The progress we have made is encouraging, but our work is by no means complete. We are committed to taking substantial further actions to improve the chances for recovery of these inspiring fish.

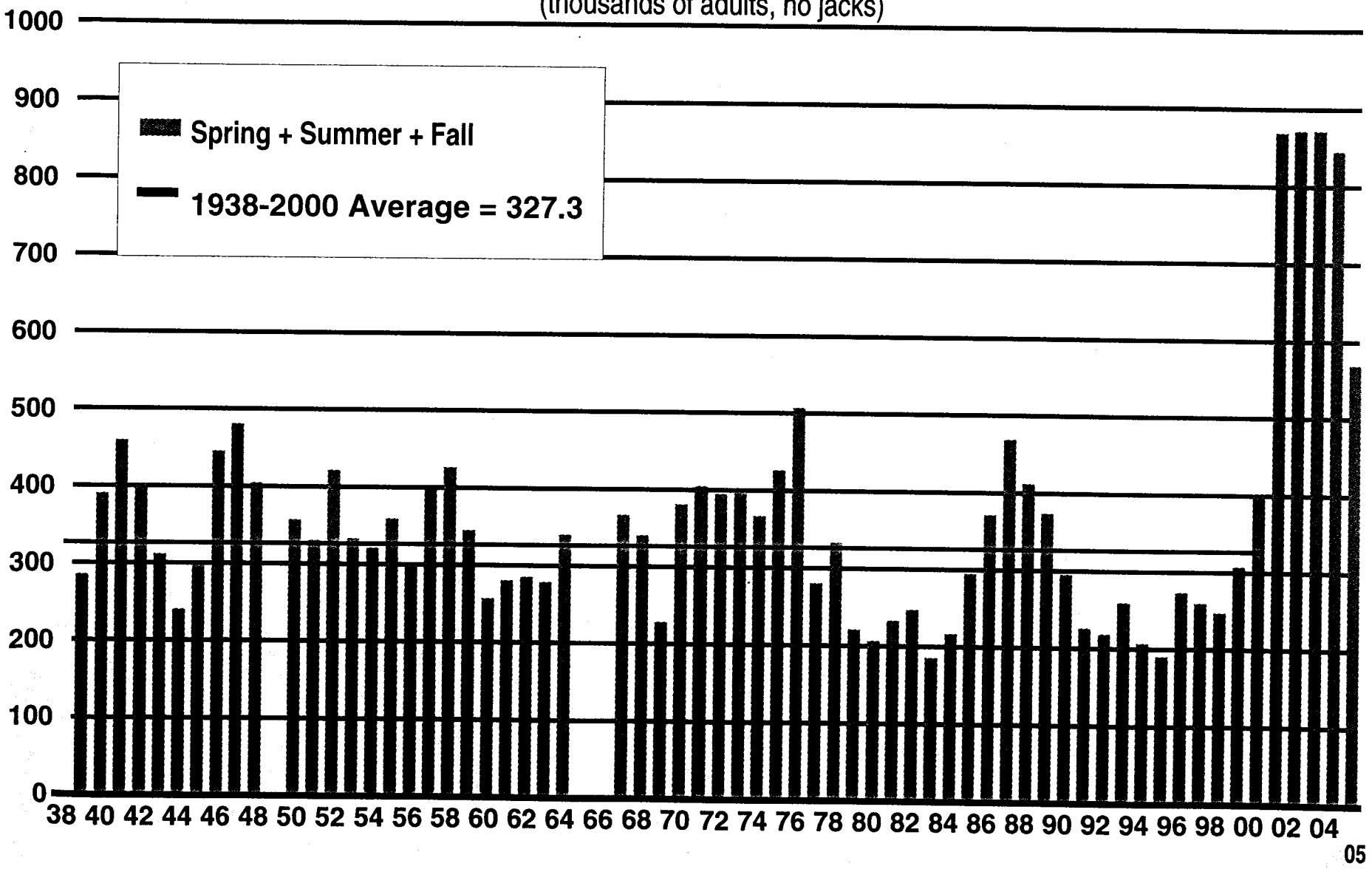
Our overarching goal should be salmon recovery. And under a recovery plan approach, hydro operators and others will need to do more for the fish. We can start by collaborating to develop clear and specific objectives for endangered fish in the Columbia Basin. Then, to meet these objectives, we will need to develop a scientifically credible approach that addresses all the causes of salmon declines in the Basin. It must be an approach that recognizes that we who live in this Basin are all in this together and that we must all be part of the solution.

Thank you for your attention, and I would be happy to answer any questions.

Total Chinook Adult Returns

@ Bonneville Dam (Spring + Summer + Fall)

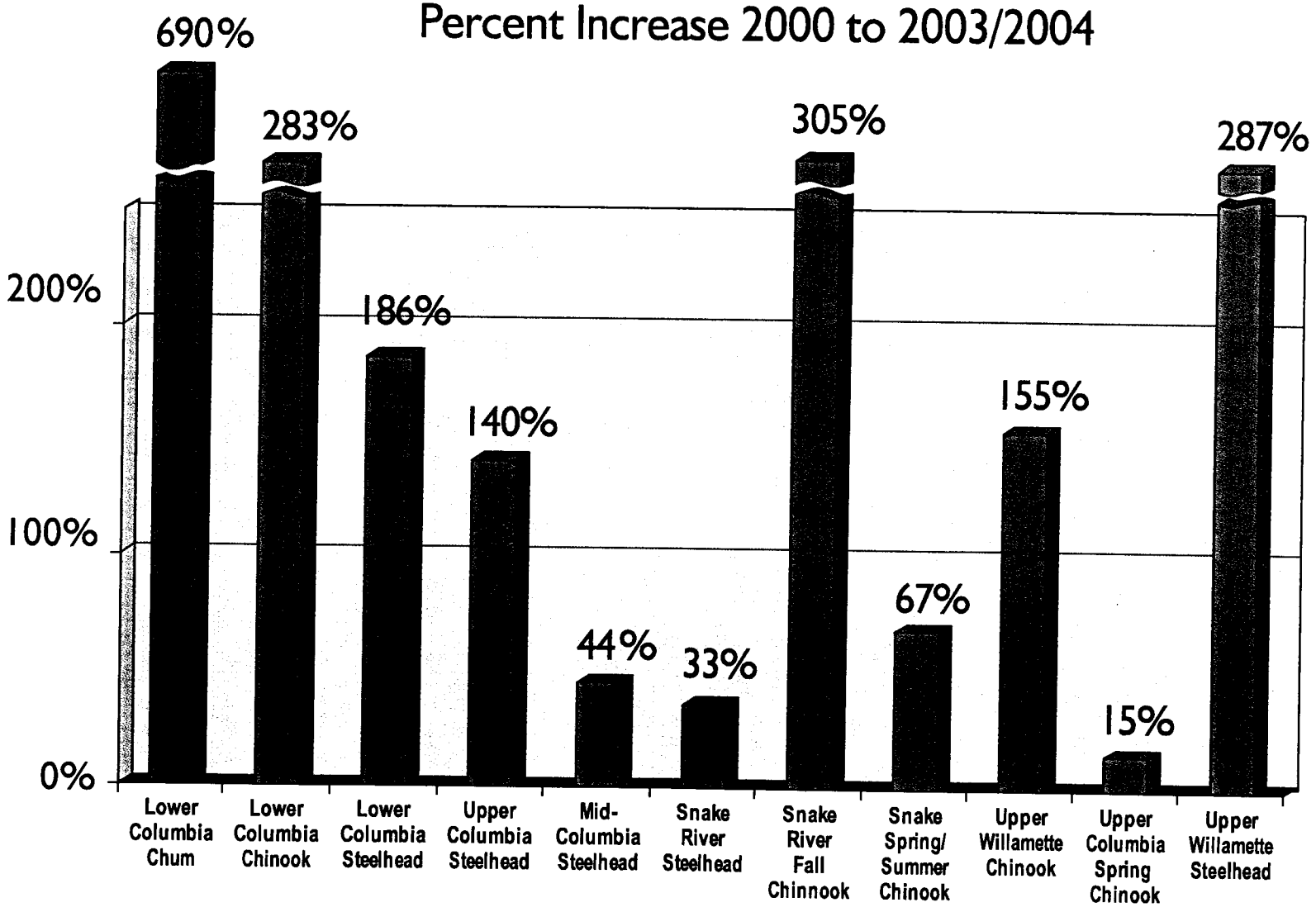
(thousands of adults, no jacks)



Salmon Return Increases

Selected ESA-listed stocks

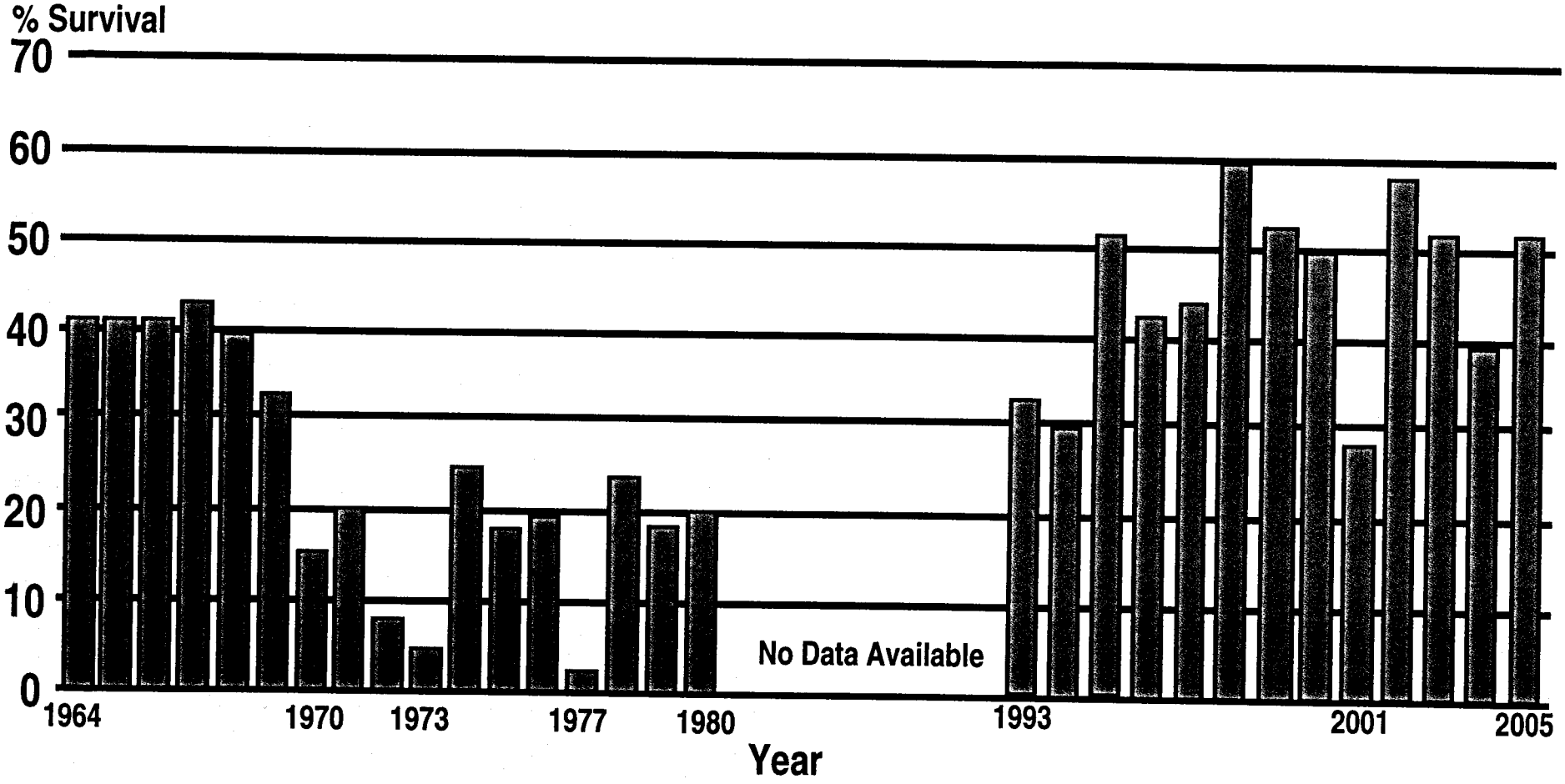
Percent Increase 2000 to 2003/2004



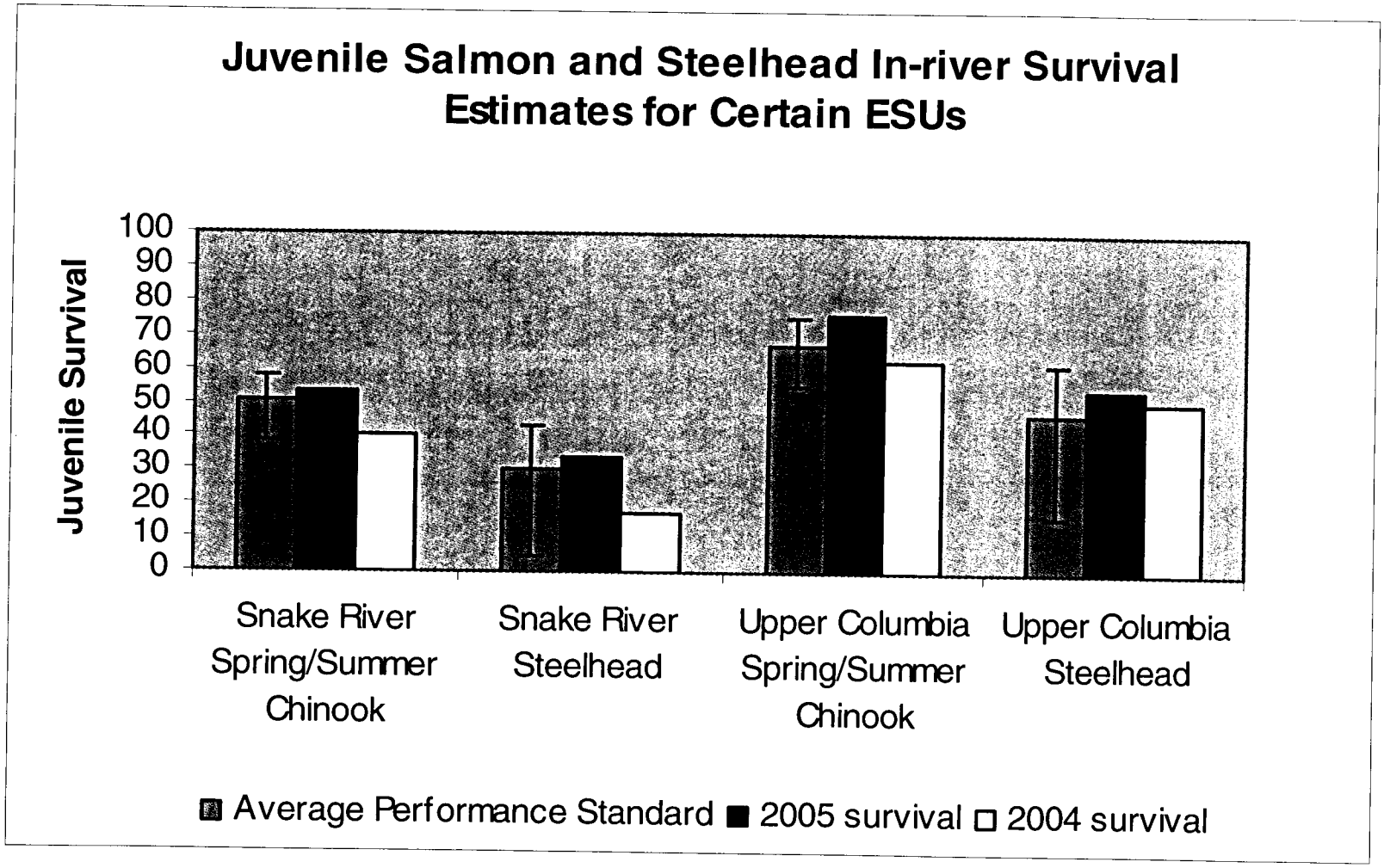
Source: NOAA Fisheries

Example Of Improved Survival Through The Hydrosystem:

Snake River Juvenile Spring/Summer Chinook In-river Survival

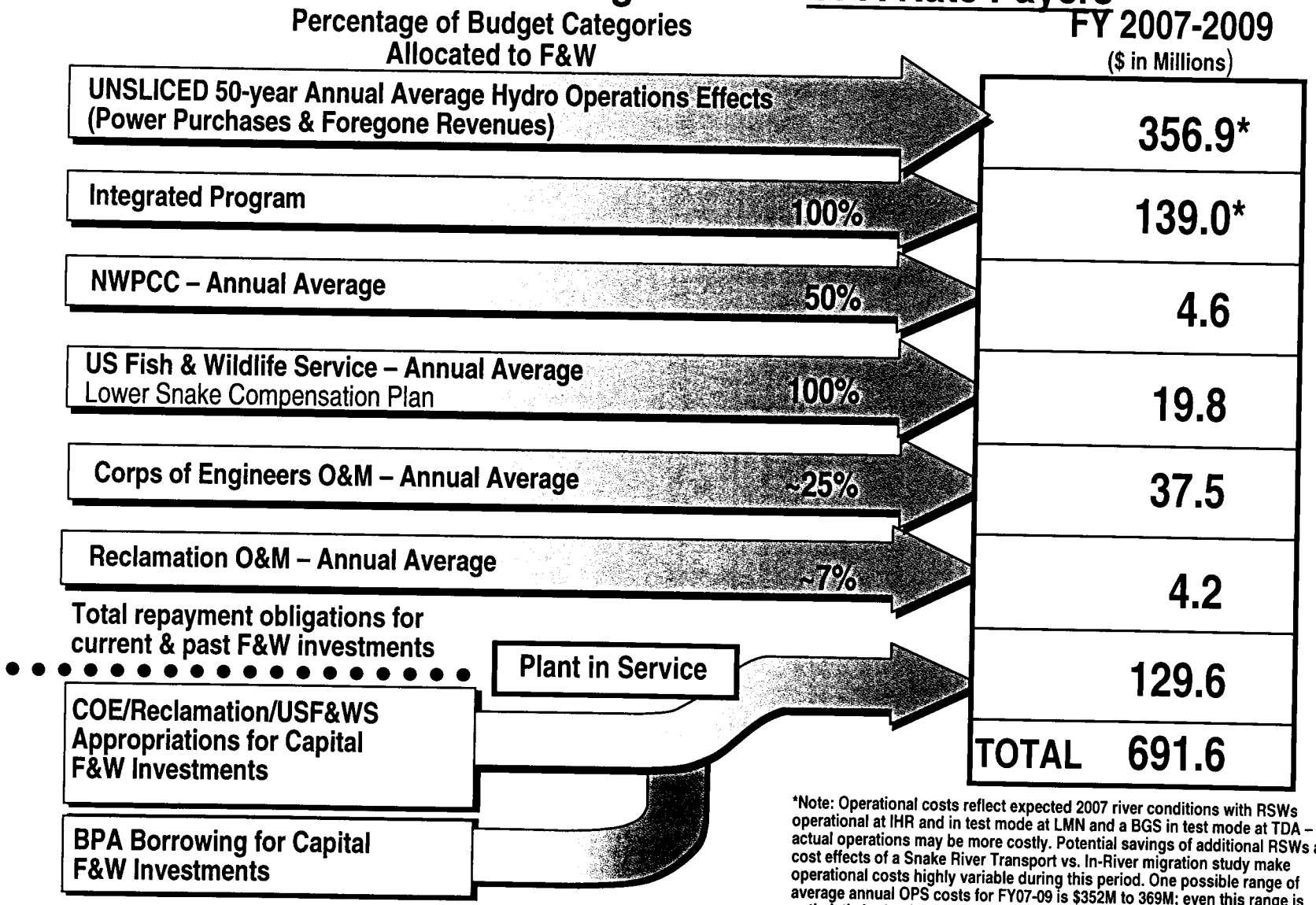


- On average, in-river survival of yearling Chinook is now higher than ever measured.
- Survival now with eight dams is similar or higher to survival in the 1960s with four dams.
- Survival in 2001 with the 2nd lowest runoff condition on record was an order of magnitude higher than in 1977 with the lowest runoff condition on record and in 1973 with the 10th lowest runoff.


Juvenile Salmon and Steelhead In-river Survival Estimates for Certain ESUs
Juvenile Survival
100
90
80
70
60
50
40
30
20
10
0
Snake River Spring/Summer Chinook
Snake River Steelhead
Upper Columbia Spring/Summer Chinook
Upper Columbia Steelhead
Average Performance Standard
2005 survival
2004 survival

BPA's Total Fish & Wildlife Program:

Total Annual Average Cost to BPA Rate Payers



*Note: Operational costs reflect expected 2007 river conditions with RSWs operational at IHR and in test mode at LMN and a BGS in test mode at TDA – actual operations may be more costly. Potential savings of additional RSWs and cost effects of a Snake River Transport vs. In-River migration study make operational costs highly variable during this period. One possible range of average annual OPS costs for FY07-09 is $352M to 369M; even this range is optimistic in that it assumes no schedule slippage and implementation of assumed spill levels.
Integrated Program assumes additional projects funded within existing budget.